

CITY OF MIAMI BEACH
Office of the City Manager
Letter to Commission No. 245-2004



To: Mayor David Dermer and
Members of the City Commission

Date: September 15, 2004

From: Jorge M. Gonzalez
City Manager

A handwritten signature in cursive script, appearing to read "Jorge", written over the printed name.

Subject: Atlantic Broadband – City of Miami Beach Cable Provider

Attached for your perusal is a letter from Mr. Kevin Maguire, Vice President and General Manager, Atlantic Broadband, announcing their new offering of Digital Video Recording (DVR) service.

REP
JMG\REP

c: Robert Parcher
Tim Hemstreet
Kathie Brooks

RECEIVED
04 SEP 17 PM 2:50
CITY CLERK'S OFFICE

Kevin Maguire
Vice President and General
Manager
Atlantic Broadband
1681 Kennedy Causeway
North Bay Village, FL 33141
(305) 861-8069, Extension 3100

VIA OVERNIGHT MAIL

September 10, 2004

Mr. Robert Parcher
City of Miami Beach
1700 Convention Center Drive
Miami Beach, FL 33139

Re: *Atlantic Broadband (Miami), LLC*
New Equipment (DVR Converters) Form 1205

Dear Mr. Parcher:

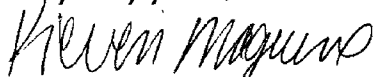
Atlantic Broadband is delighted to inform you that, effective November 15, 2004, we will begin offering Digital Video Recording (DVR) service to our customers in your community. With the DVR, customers can record up to 40 hours of analog and digital programming, or 20 hours of high definition programming, and replay the recorded programming whenever they choose. We believe that there will be significant customer demand for and subscription to this service, which has been received with enthusiasm by consumers thus far. I have enclosed a recent article from the Boston Globe that you might find informative in this regard.

DVR service customers will require a DVR converter which will replace the current digital converter. Accordingly, Atlantic Broadband has prepared the enclosed New Equipment Form 1205. This form establishes a Maximum Permitted Rate (MPR) of \$14.16 for the DVR converter, well above our planned \$6.95 equipment charge.

Although the DVR service itself is unregulated, the FCC permits regulation of rates for subscriber equipment used to receive the basic service tier even if the same equipment also is used to receive unregulated services. 47 C.F.R. § 76.923. Under the regulations, a cable operator may file at any time to establish the MPR for a new type of customer equipment. 47 C.F.R. § 76.923(o). The proposed rate automatically becomes effective 60 days after the date of the filing, unless the Local Franchising Authority ("LFA"), upon review and consideration, issues an order rejecting that rate. 47 C.F.R. § 76.923(n) (4).

Please do not hesitate to contact me should you have any questions about the enclosed New Equipment Form 1205 or our forthcoming DVR service.

Very truly yours,



Kevin Maguire
Vice President and General Manager

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COMCAST TO MARKET NEW VIDEO RECORDER

Author(s): Peter J. Howe, Globe Staff **Date:** August 29, 2004 **Page:** A1 **Section:** Metro/Region

Starting tomorrow, **Comcast** Corp. will begin marketing an enhanced cable box to New Englanders that will accelerate a revolution that is changing television-watching habits, and the television industry itself. The Motorola box, which includes a TiVo-style digital video recorder, will allow millions of subscribers to watch shows on their own schedule and skip through the advertisements.

Although the technology has been available for a few years, most notably from industry leader TiVo, the adoption of the digital video recording by the region's dominant cable provider signals that this disruptive technology is about to go mainstream. The **Comcast** digital video recorder, built around a large hard drive, will be able to store 50 hours of regular programming or 10 hours of high-definition format shows, while also letting people pause and rewind shows as they are broadcast live. **Comcast** will charge \$9.95 a month for the system with no upfront installation charge, a steep discount from TiVo, which charges at least \$99 for a stand-alone recorder plus \$12.95 for monthly service.

About 5 percent of US households now own digital video recording systems, a figure that is expected to rise to 22 percent by 2008, according to The Yankee Group, a Boston market research firm. Even though the numbers are small, industry executives expect growing DVR usage to roil the \$58 billion US television advertising market, as increasing numbers of consumers, particularly the most affluent who are most likely to rent the devices, get the power to program their own television viewing, and ignore the traditional 30-second television spot.

Advertisers' quest to "TiVo-proof" their marketing campaigns will also lead to changes that will ripple across the television industry, specialists say. Television viewers will probably encounter more promotional messages embedded in television programming, like AT&T Wireless Services Inc. cellphone voting in "American Idol" and the use of Ford Motor Co. vehicles being written into the plots of Fox's thriller show "24."

Roberta Haber, senior vice president of media at Hill, Holliday, the Boston advertising firm, said it's impossible to imagine that DVRs will lead to every viewer boycotting every ad anytime soon. "Good 30-second spots" will still catch the eyes of people fast-forwarding through a show. "The sky may be changing color, but the sky's not falling," Haber said.

The recorders are also likely to shake up US social and lifestyle patterns, as the "6 o'clock news" turns into something more people can watch whenever they want to, and the concept of prime-time "appointment television," in which viewers build their evenings around favorite shows, wanes. The technology has also spawned a new phrase, "linear programming," to distinguish conventional live television from "time-shifted" viewing of shows with the help of technology.

Although the industry icon, TiVo, was launched five years ago, it has attracted only 1.6 million subscribers, and more than 60 percent of those have come through a joint marketing deal with satellite television provider DirectTV Group Inc. Besides requiring a separate box in addition to the cable or satellite box, TiVo devices have to be plugged in to a phone jack to get updated programming schedules.

"It's the integration into cable and satellite that will really drive this," said Yankee Group analyst Adi Kishore.

Comcast has 2.2 million subscribers in 343 New England cities and towns, including more than 210 Bay State communities.

RCN Corp., which provides cable television in parts of Boston and 15 suburbs, began selling DVR boxes last month, and Echostar Communications Corp.'s Dish Network also sells several models. But RCN and Echostar

both have far fewer customers than **Comcast** in New England.

Comcast's DVR gambit comes barely six months after it finished deploying its own "video on demand" service, which lets subscribers use their TV remote controls to choose among 1,800 hours of movies, sports contests, and TV shows. The plan includes WCVB-TV (Ch. 5)'s flagship 6 p.m. newscast with Natalie Jacobson, which many nights draws 20,000 or more households, according to station officials.

Comcast senior vice president Kevin Casey said that in June, New England subscribers "streamed" 10 million on-demand shows. "In combination with on-demand, the DVR really helps give you a new level of flexibility and value to enjoy TV on your own terms," Casey said.

As soon as next April, a year ahead of its initial schedule, Nielsen Media Research plans to begin counting how many US households are using DVRs to watch broadcast shows at different times. Nielsen has yet to commit, however, to measuring which ads get skipped.

Veronis Suhler Stevenson, a New York media investment bank, predicts traditional big-three network television advertising spending will continue to grow in each of the next four years, up 21.3 percent to \$20.7 billion, but the growth will be well below the 48.7 percent projected increase by 2008 in ad spending on cable, whose multiple specialized channels allow for more precise demographic targeting during the years when DVR penetration is growing.

A proliferation of DVRs may also change advertising strategies at smaller companies like car dealers that have traditionally advertised heavily in local TV markets. Although expensive product-placement campaigns are out of reach, local advertisers uncertain about the ability of television ads to reach a commercial-skipping audience may decide to move their marketing to other media. Smart USA, for example, generated buzz for its planned US introduction of its tiny European cars by becoming the official car of this year's Boston Marathon. A local car dealer may decide to shift its messages to drivers stuck in traffic, via billboards, or to tightly focused online ads keyed to search words.

"A giant like Procter & Gamble can just buy marketshare," said Marc Gallucci, president of Boston marketing and branded-communications firm, Fort Franklin. "Smaller companies have to be more creative by necessity."

Even as their first digital recorder comes to market this week in New England, Casey said, **Comcast** envisions several upgrades. By year's end, the company hopes to offer a unit that holds 75 hours of regular programming and 15 of HDTV. It will also feature a dual tuner that allows viewers to watch and record a show on one channel while they record a second show from another channel.

Comcast is also overhauling its on-screen program guide to give subscribers a one-stop venue to scroll through lists of live content, on-demand content, and shows they have recorded with the DVR.

Both the Motorola 6208 cable box going on sale this week, and future versions, will work only with digital cable subscription packages, which cost at least \$10.45 a month more than standard analog cable. The units also bring in the 14 high definition format channels delivered over the **Comcast** cable system locally, which are available for an extra \$2.05 on any plan.

Peter J. Howe can be reached at howe@globe.com.

SIDEBAR:

DIGITAL VIDEO RECORDER HOUSEHOLDS

PLEASE REFER TO MICROFILM FOR CHART DATA.

FORM 1205
DETERMINING REGULATED EQUIPMENT AND INSTALLATION COSTS
"EQUIPMENT FORM"

Community Unit Identifier (CUID) of cable system FL0406		Date of Form Submission 09/10/04	
Name of Cable Operator Atlantic Broadband Finance, LLC			
Mailing Address of Cable Operator One Batterymarch Park, Suite 405			
City Quincy	State MA	ZIP Code 02169	
Name and Title of person completing this form: Bartlett Leber, Vice President and Legal Counsel			
Telephone number 617-786-8800 ext. 112		Fax Number 617-786-8803	
Name of Local Franchising Authority City of Miami Beach			
Mailing Address of Local Franchising Authority 1700 Convention Center Drive			
City Miami Beach	State FL	ZIP Code 33139	

1. This form is being filed: [Enter an "x" in the appropriate box]

☐ In conjunction with FCC Form 1200, FCC Form 1220, or FCC Form 1225.
 Attach the completed FCC Form 1200, FCC Form 1220, or FCC Form 1225 to the front of this form.
 OR

☐ In order to fulfill FCC rules requiring an annual filing of this form **This form is a "New Equipment Form" being filed only for DVR Converters.**
 Enter the date on which you last filed this form 01/31/03 (mm/dd/yy)
 Note: This should be the date on which the rates last justified, by using either FCC Form 393 or the prior filing of this form, were in effect.

2. Enter the date on which you closed your books for the fiscal year reflected in this form:

Note: This will indicate the end of the 12-month fiscal year for which you are filing this form.

Not Applicable (mm/dd/yy)

New equipment requires use of estimated data.

3. Indicate the corporate status of your cable system [Enter an "x" in the correct box]

☐ C-Corporation
☐ Subchapter S corporation
☐ Partnership
☐ Sole Proprietorship
☒ Other [Please explain below]
Limited Liability Company

SCHEDULE A: CAPITAL COSTS OF SERVICE INSTALLATION AND MAINTENANCE OF EQUIPMENT AND PLANT						
A	Equipment and Plant	Vehicles	Tools	Maintenance Facilities	Other 1. (Specify below)	Other 2. (Specify below)
B	Gross Book Value					
C	Accumulated Depreciation					
D	Deferred Taxes					
E	Net Book Value [B-(C+D)]	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
F	Rate of Return	0.1125				
G	Calculation of Gross-up Rate					
G1	Federal Income Tax Rate	0.34				
G2	State Income Tax Rate	0.0589				
G3	Net Total Income Tax Rate [(G1+G2)-(G1 x G2)]	0.3789				
G4	Adjustment to Reflect Interest Deductibility					
G4a	Actual Interest Amount	\$267,639,028				
G4b	Total Net Assets	\$24,229,583,777				
G4c	Base Return on Investment Amount [G4b x F]	2,725,828,175				
G4d	Interest Deductibility Factor [G4a/G4c]	0.0982				
G5	Effective Tax Rate [G3 x (1-G4d)] [C-Corps skip to G7]	0.3417				
G6	Adjustments for Non-C Corporations					
G6a	Base Return on Investment Amount [G4c]	2,725,828,175				
G6b	Distributions	\$0.00				
G6c	Contributions (may not exceed G6b)	\$0.00				
G6d	Returns Subject to Income Tax [G6a-G6b+G6c]	2,725,828,175				
G6e	Returns Percentage Subject to Income Tax [G6d/G6a]	1				
G7	Gross-Up Rate [C-Corps: 1/(1-G5) Other: 1/(1-(G5 x G6e))]	1.579				
H	Grossed-Up Rate of Return [F x G7]	0.1769				
I	Return on Investment Grossed-Up for Taxes [E x H]	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
J	Current Provision for Depreciation					
K	Annual Capital Costs [I+J]	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
L	GRAND TOTAL [sum of Line K entries]	\$0.00				

Box 1.

Specify: Other 1. _____

Specify: Other 2. _____

Note: The amounts shown above are per the most recent Form 1205 filing made for these systems by Charter Communications on 1/31/03.

SCHEDULE B: ANNUAL OPERATING EXPENSES FOR SERVICE INSTALLATION AND MAINTENANCE OF EQUIPMENT							
		Salaries & Benefits	Supplies	Utilities	Other Taxes	Other 1. (Specify below)	Other 2. (Specify below)
A	Annual Op. Expenses for Svc. Install. and Maint. of Equip.						
B	GRAND TOTAL [sum of Line A entries]	\$0.00					

Box 2.

Specify: Other 1. _____

Specify: Other 2. _____

SCHEDULE C: CAPITAL COSTS OF LEASED CUSTOMER EQUIPMENT					New DVR Converters			
A	Equipment	Remote 1	Remote 2	Remote 3	Converter 1	Converter 2	Converter 3	Other Equip.
B	Total Maintenance/Service Hours (Attach Explanation)						1.46	
C	Total # of Units in Service						1.	
D	Gross Book Value						\$515.17	
E	Accumulated Depreciation						\$51.52	
F	Deferred Taxes						\$0.00	
G	Net Book Value [D-(E+F)]	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$463.65	\$0.00
H	Grossed-Up Rate of Return (From Sched. A, Line H)	0.1709						
I	Return on Investment Grossed-Up for Taxes [G x H]	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$79.21	\$0.00
J	Current Provision for Depreciation						\$51.52	
K	Annual Capital Costs [I + J]	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$130.73	\$0.00
L	GRAND TOTAL (sum of Line K entries)	\$120.75						

Box 3.

Note: See attached supporting workpaper for amounts shown above.

SCHEDULE D: AVERAGE HOURS PER INSTALLATION	
A.	Average Hours per Unwired Home Installation (attach an explanation)
B.	Average Hours per Pre-Wired Home Installation (attach an explanation)
C.	Average Hours per Additional Connection Installation at Time of Initial Installation (attach an explanation)
D.	Average Hours per Additional Connection Installation Requiring Separate Installation (attach an explanation)
E.	Other Installation (by Item Type):
Item 1. (Specify:)	
	Average Hours per Installation (attach an explanation)
Item 2. (Specify:)	
	Average Hours per Installation (attach an explanation)
Item 3. (Specify:)	
	Average Hours per Installation (attach an explanation)

WORKSHEET FOR CALCULATING PERMITTED EQUIPMENT AND INSTALLATION CHARGES

STEP A. Hourly Service Charge

1. Total Capital Costs of Installation and Maintenance (Schedule A, Box 1)	\$378,576,802
2. Total Annual Operating Expenses for Installation and Maintenance (Schedule B, Box 2)	\$87,030,109
3. Total Capital Costs and Operating Expenses for Installation and Maintenance (Line 1 + Line 2)	\$465,606,911
4. Customer Equipment and Installation Percentage (attach an explanation)	0.3963
5. Annual Customer Equipment Maintenance and Installation Costs, Excluding Costs of Leased Equipment (Line 3 x Line 4)	\$184,520,019
6. Total Labor Hours for Maintenance and Installation of Customer Equipment and Services (attach explanation)	6,886,424
7. Hourly Service Charge (HSC) (Line 5/Line 6)	\$26.79

Note: The amounts shown above are per the most recent Form 1205 filings made for these systems by Charter Communications on 1/31/03.

METHOD OF BILLING FOR INSTALLATIONS (place an "x" in the appropriate box)

- ☐ Installations billed by the hour based on the HSC calculated in Line 7.
☐ Installations billed as a standard charge.

STEP B. Installation Charge

8. Uniform HSC for all installations (From Step A, line 7)	
OR	
9. Average Charge for Installation Types	
a. Unwired Home Installation	
a1. HSC (Line 7)	\$26.7948
a2. Average Hours per Unwired Home Installation (Schedule D, Line A)	0
a3. Charge per Unwired Home Installation (a1 x a2)	
b. Pre-wired Home Installation	
b1. HSC (Line 7)	\$26.7948
b2. Average Hours per Pre-wired Home Installation (Schedule D, Line B)	0
b3. Charge per Pre-wired Home Installation (b1 x b2)	
c. Additional Connection Installation at Time of Initial Installation	
c1. HSC (Line 7)	\$26.7948
c2. Average Hours per Additional Connection Installation at Time of Init. Install. (Schedule D, Line C)	0
c3. Charge per Additional Connection Installation at Time of Initial Installation (c1 x c2)	
d. Additional Connection Installation Requiring Separate Installation	
d1. HSC (Line 7)	\$26.7948
d2. Avg. Hours per Additional Connection Installation Req. Sep. Install. (Schedule D, Line D)	0
d3. Charge per Additional Connection Installation Requiring Separate Installation (d1 x d2)	
e. Other Installations (As specified in Schedule D, Line E):	
e1. HSC (Line 7)	\$26.7948
e2. Average Hours per Installation of Item 1 (Schedule D, Line E, Item 1)	0
e3. Charge per Installation of Item 1 (e1 x e2)	
e4. HSC (Line 7)	\$26.7948
e5. Average Hours per Installation of Item 2 (Schedule D, Line E, Item 2)	0
e6. Charge per Installation of Item 2 (e4 x e5)	
e7. HSC (Line 7)	\$26.7948
e8. Average Hours per Installation of Item 3 (Schedule D, Line E, Item 3)	0
e9. Charge per Installation of Item 3 (e7 x e8)	

STEP C. Charges for leased Remotes (Calculate separately for each significantly different type)			
	a Remote 1	b Remote 2	c Remote 3
10. Total Maintenance/Service Hours [Corresponding column from Schedule C, Line B]	0.	0.	0.
11. HSC [Line 7]	\$26.7948	\$26.7948	\$26.7948
12. Total Maintenance/Service Cost [Line 10 x Line 11]	\$0.00	\$0.00	\$0.00
13. Annual Capital Costs [Corresponding column from Schedule C, Line K]	\$0.00	\$0.00	\$0.00
14. Total Cost of Remote [Line 12 + Line 13]	\$0.00	\$0.00	\$0.00
15. Number of Units in Service [Corresponding column from Schedule C, Line C]	0.	0.	0.
16. Unit Cost [Line 14/Line 15]	\$0.00	\$0.00	\$0.00
17. Rate per Month [Line 16/(12)]	\$0.00	\$0.00	\$0.00

STEP D. Charges for leased Converter Boxes (Calculate separately for each significantly different type)			
	a Converter 1	b Converter 2	c Converter 3
18. Total Maintenance/Service Hours [Corresponding column from Schedule C, Line B]	0.	0.	1.46
19. HSC [Line 7]	\$26.7948	\$26.7948	\$26.79
20. Total Maintenance/Service Cost [Line 18 x Line 19]	\$0.00	\$0.00	\$39.12
21. Annual Capital Costs [Corresponding column from Schedule C, Line K]	\$0.00	\$0.00	\$130.75
22. Total Cost of Converter [Line 20+ Line 21]	\$0.00	\$0.00	\$169.87
23. Number of Units in Service [Corresponding column from Schedule C, Line C]	0.	0.	1.
24. Unit Cost [Line 22/Line 23]	\$0.00	\$0.00	\$169.87
25. Rate per Month [Line 24/(12)]	\$0.00	\$0.00	\$14.16

STEP E. Charges for Other Leased Equipment	
26. Total Maintenance/Service Hours [Corresponding column from Schedule C, Line B]	0.
27. HSC [Line 7]	\$26.7948
28. Total Maintenance/Service Cost [Line 26 x Line 27]	\$0.00
29. Annual Capital Costs [Corresponding column from Schedule C, Line K]	\$0.00
30. Total Cost of Equipment [Line 28+Line 29]	\$0.00
31. Number of Units in Service [Corresponding column from Schedule C, Line C]	0.
32. Unit Cost [Line 30/Line 31]	\$0.00
33. Rate per Month [Line 32/(12)]	\$0.00

METHOD OF BILLING FOR CHANGING SERVICE TIERS OR EQUIPMENT (place an "x" in the appropriate box)	
<input type="checkbox"/>	as a Nominal Charge (Enter the nominal charge in Line 34)
<input type="checkbox"/>	as a Uniform Hourly Service Charge
<input type="checkbox"/>	as an Average Charge (Enter the Average Hours for Changing Service Tiers in Line 36b.)

STEP F. Charges for Changing Service Tiers or Equipment		
34. Nominal Charge for Changing Service Tiers		
If you use an escalating scale of charges, place an "x" in the box at the right.		
OR		
35. Uniform Hourly Service Charge		
OR		
36. Average Charge for Changing Service Tiers		
36a. HSC [Line 7]	\$26.7948	
36b. Average Hours to Change Service Tiers		
36c. Average Charge for Changing Service Tiers [Line 36a x Line 36b]		

WORKSHEET FOR CALCULATING TOTAL EQUIPMENT AND INSTALLATION COSTS		
1.	Total Capital Costs of Installation and Maintenance (Schedule A, Box 1)	\$0.00
2.	Total Annual Operating Expenses for Installation and Maintenance (Schedule B, Box 2)	\$0.00
3.	Total Annual Capital Costs of Installation and Maintenance (Line 1 + Line 2)	\$0.00
4.	Customer Equipment and Installation Percentage (attach explanation)	
5.	Annual Customer Equipment Maintenance and Installation Costs, Excluding Costs of Leased Equipment (Line 3 x Line 4)	\$0.00
6.	Total Capital Costs of Leased Customer Equipment (Schedule C, Box 3)	\$136,7522
7.	Annual Customer Equipment and Installation Costs (Line 5 + Line 6)	\$136,7522
8.	Percentage Allocation to Franchise Area (see instructions)	
9.	Allocated Annual Equipment and Installation Cost (Line 7 x Line 8)	\$0.00
10.	Monthly Equipment and Installation Cost (Line 9 / (12))	\$0.00
11.	Number of Basic Subscribers in Franchise	
12.	Monthly Equipment and Installation Cost per Subscriber (Line 10 / Line 11)	#DIV/0!
13.	Inflation Adjustment Factor (See Instructions)	
14.	Adjusted Monthly Equipment and Installation Cost per Subscriber (Line 12 x Line 13)	#DIV/0!

SUMMARY SCHEDULE		Permitted	Actual
Current Equipment and Installation Rates			
1. Charges for Cable Service Installations			
a. Hourly Rate [Step A, Line 7]			
b. Average Installation Charges:			
1. Installation of Unwired Homes [Step B, Line 9a3]			
2. Installation of Prewired Homes [Step B, Line 9b3]			
3. Installation of Additional Connections at Time of Initial Installation [Step B, Line 9c3]			
4. Installation of Additional Connections Requiring Separate Install [Step B, Line 9d3]			
5. Other Installations (specify) [Step B, Lines 9c3, 9e6, 9e9]			
a.			
b.			
c.			
2. Monthly Charge for Lease of Remote Controls [Step C, Line 17, columns a-c]			
Remote Control Type 1:		\$0.00	
Remote Control Type 2:		\$0.00	
Remote Control Type 3:		\$0.00	
3. Monthly Charge for Lease of Converter Boxes [Step D, Line 25, columns a-c]			
Converter Box Type 1:		\$0.00	
Converter Box Type 2:		\$0.00	
Converter Box Type 3:		\$14.16	
4. Monthly Charge for Lease of Other Equipment [Step E, Line 33]			
Other Equipment (Specify)		\$0.00	
5. Charge for Changing Tiers (if any) [Step F, Line 34, 35 or 36c]			

Indicate your answer to the following three questions by placing an "x" in the appropriate box

	YES
X	NO

X	YES
	NO

☐ YES (You must attach a full explanation)
☒ NO

WILLFUL FALSE STATEMENTS MADE ON THIS FORM ARE PUNISHABLE BY FINE AND/OR IMPRISONMENT (U.S. CODE TITLE 18, SECTION 1001), AND/OR FORFEITURE (U.S. CODE, TITLE 47, SECTION 505).

I certify that the statements made in this form are true and correct to the best of my knowledge and belief, and are made in good faith.

Name of the Cable Operator	Signature
Atlantic Broadband Finance, LLC	
Date	Title
09/10/04	Vice President and General Counsel

Atlantic Broadband Finance, LLC
FCC Form 1205 for "New Equipment" (DVR Converters)
Schedule C - Capital Costs of Leased Customer Equipment
Supporting Workpaper Showing Estimated Data as of August 2004

Estimated Cost and Depreciation:

<u>New Equipment (DVR Converters)</u>	<u>Capital Cost (1)</u>	<u>Estimated Mix of Units (1)</u>	<u>Blended Gross Book Value</u>	<u>Estimated Useful Life (2)</u>	<u>Annual Depreciation Expense (3)</u>	<u>Accumulated Depreciation</u>
Standard Definition - Vendor 1	\$509	90.00%	\$458.10	5 Years		
High Definition - Vendor 1	\$585	6.67%	39.02	5 Years		
High Definition - Vendor 2	\$542	<u>3.33%</u>	<u>18.05</u>	5 Years		
Totals		<u>100.00%</u>	<u>\$515.17</u>		<u>\$51.52</u>	<u>\$51.52</u>

- (1) Based on actual orders placed and anticipated mix of DVR converter deployments for 2004.
(2) Estimated useful life is approximately 4 to 4.5 years. However, five years was used to be conservative.
(3) Assumes half year convention for first year of depreciation. Assumes this form should reflect first year amounts.

Estimated Annual Maintenance Cost: per DVR Converter:

	<u>Notes</u>	<u>Estimated Total Maint. Cost Over Useful Life</u>	<u>Estimated Useful Life</u>	<u>Average Annual Maint. Cost</u>
Repair of failed box	(1)	\$100		
Reconditioning of box for redeployment	(2)	20		
Truck rolls for box failure and reconditioning	(3)	1.25		
Average cost per truck roll		\$60		
Cost of truck rolls		<u>75</u>		
Totals		<u>\$195</u>	5	\$39
Hourly Service Charge (HSC) from most recent Form 1205				\$26.79
Implied annual maintenance/service hours used in "New Equipment" Form 1205				<u>1.46</u>

- (1) Mean Time Before Failure equals approximately one half of useful life. Assumed one repair during useful life. Based on experience with other boxes, the cost of repairing a failed DVR converter is estimated at \$100.
(2) Before returned boxes can be redeployed, they must be reconditioned, which includes replacing certain components and cleaning, etc. Based on experience with other boxes, these costs are estimated at \$20. Given average time of deployment, an average box will be reconditioned once during its useful life.
(3) Assumed that 75% of failed boxes and 50% of reconditioned boxes will require a truck roll, respectively. Thus, since each box is estimated to fail once and be reconditioned once during its useful life, then the average estimated number of truck rolls over the useful life of an average box is 1.25.